



Healing Health Care Costs

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FISCAL NOTES

A Monthly Review of the Texas Economy from the Office of Susan Combs, Texas Comptroller of Public Accounts, May 2007

APRIL REVENUE (IN MILLIONS): SALES TAX: \$1,743.8 OIL PRODUCTION: \$68.6 NATURAL GAS: \$145.5 MOTOR FUELS: \$267.6 MOTOR VEHICLE SALES: \$288.6 TOBACCO: \$158.0

Around Texas

- **Laredo and Webb County** dropped competing lawsuits and will build a new bridge over the Rio Grande.
- **San Antonio-based Clear Channel Communications** agreed to sell its television group to a private equity firm for \$1.2 billion.
- **Comerica Bank** announced a new round of expansion in South Texas, including as many as eight new locations.
- **The McAllen-Edinburg-Mission area** was the top Texas region on Inc.com's list of business boomtowns in 2007.

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Can Fitness Make the Grade?

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Saving Lives on the Sidelines with Defibrillators (pictured right)

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Weighing the Costs: Obesity Affects the Work Force

The Phrase "Everything's Bigger in Texas" Has an Irony Ring Now that Nearly Two-Thirds of All Texans are Overweight or Obese

A new report from the Texas Comptroller's office, *Counting Costs and Calories: Measuring the Cost of Obesity to Texas Employers*, examines the economic costs generated by our rapidly expanding waistlines.

"Nearly two-thirds of our state's adult population is currently overweight or obese, and because of the alarming rise in obesity, we decided to communicate what stake Texas businesses have in stemming the obesity crisis," said Comptroller Susan Combs. "The costs are shocking, and the future could be very grim if we don't take action now to reverse this trend. The rise in obesity is avoidable—not inevitable—but we must take action now."

"The trend in obesity is avoidable—not inevitable—but we must take action now."

Susan Combs,
Texas Comptroller

Obesity is one of the most common and most severe health risks Texans face. Being overweight or obese puts you at a significantly greater risk of illnesses such as diabetes, heart disease, hypertension, stroke, arthritis, asthma and certain cancers.

But these private tragedies have a public cost as well. That cost weighs heavily on Texas' businesses, which must cope with spiraling insurance rates and losing money whenever workers are out sick, disabled or simply not functioning up to standard.

Counting Costs and Calories estimates that obesity cost Texas businesses \$3.3 billion in 2005, a figure that includes the costs

Healing Health Care Costs

Hope for Small Businesses Struggling with Health Coverage

When Saira Roberts goes to the doctor for an ache, pain or annual checkup, she has to pay up to \$200, not just a \$20 co-pay.

As the sole proprietor of Saira Roberts Bodywork, a Dallas-based massage therapy business, Roberts purchased a bare-bones health insurance policy that only covers major medical expenses. She said she can't afford broader coverage.

"My experience has been what it is for most sole proprietors," Roberts said. "You're not going to get a good rate because it's going to be just you. The premiums are very high."

Every month, Roberts pays a \$400 premium, just in case. And she has a \$5,000 deductible in case she suffers a major illness or needs hospitalization.

"I'm paying in case something catastrophic happens just so I have insurance," she said. "If you actually have a claim it goes up even more. Mine goes up 15 to 20 percent each year, and I don't have any claims."

Roberts isn't alone in her quest for affordable health insurance. The average cost of health insurance for a small business owner has doubled since 2001, said Dianne Longley, director of special projects for the Texas Department of Insurance (TDI). Longley defined a small business as having between two and 50 employees.

"One of our biggest concerns is that there are so many small businesses that don't offer health insurance," Longley said. "That's contributing to the high percentage of uninsured."

There is a perception that the uninsured don't work, yet 85 percent of Texas' uninsured are in a family where at least one adult works 40 hours per week or more, Longley said. But some help is available for sole proprietors and other small businesses.

"One of our biggest concerns is that there are so many small businesses that don't offer health insurance."

Dianne Longley, director of special projects for the Texas Department of Insurance

Finding Options

Small businesses seeking information on health coverage options can go to TDI's Web site at www.TexasHealthOptions.com for a wealth of links and resources.

Longley also offers the following for small businesses seeking health insurance:

- shop around for an insurance agent who will investigate health care options from a variety of carriers;
- consider the maximum out-of-pocket amount that you can afford to pay for health care for your employees;
- talk to your employees to find out what they want or need in a health plan;
- ask your insurance agent about two new insurance products that are usually less expensive than typical plans. A consumer choice plan eliminates some of the coverages mandated by most plans. High deductible plans offer lower monthly premiums and a wide range of deductibles. Some of these plans offer deductibles of \$10,000, and other plans offer lower deductibles; and
- talk to your insurance agent about joining with other small employers to form a cooperative or coalition to purchase health insurance at more affordable rates.



More Expert Advice

Small business owners seeking affordable health plans can tap a variety of existing resources.

Counselors at the University of Houston Small Business Development Center Network (UH SBDC) refer their clients to personal insurance agents, benefit plan specialists, local chambers of commerce, TDI and trade and national associations, said Mike Young, executive director of the UH SBDC.

"Issues for the business owner to consider include the type and limits of coverage, premiums, cost-sharing with employees and the use of high deductibles to lower premiums," Young said.

As mentioned previously, Longley stresses the benefits of employers sitting down with their employees to talk with them about what they want in a health plan. Most insurance carriers require a minimum enrollment of eligible employees. Engaging and involving employees in making health insurance decisions is a good idea, she said.

"Maybe employees are more interested in coverage for typical expenses like when their child gets sick," she said. "Maybe they're not

interested in the top-of-the-line Cadillac coverage. If they can settle on something that's less comprehensive or much more affordable, then they can meet those minimum enrollment requirements."

Safety Net

Federal and state laws prohibit insurance carriers from denying a business coverage based on the health of any of its employees, but a sole proprietor seeking an individual policy can be refused coverage if he or she has pre-existing medical conditions, Longley said.

From an insurance agent's perspective, it's easier to find affordable coverage for larger employers, said Steve Wenlandt of Houston-based Selected Benefits Inc.

"The insurance carriers can spread their risk easier around a large group of people," he said. "If you only have a five-person business and one or two of those people are 'high risk,' the insurance carrier must charge more to accept that risk. It's even worse if you have a relatively unhealthy individual."

As another option, a sole proprietor with a history of health problems who can't get insurance in the individual market can seek coverage through the Texas Health Insurance Risk Pool, Longley said. The 1997 Texas Legislature created the pool to provide health insurance to eligible Texans who, due to medical conditions, are unable to obtain coverage from commercial insurers.

To learn more about Texas' uninsured, the impact and options, please read "A Steep Price for the Uninsured" on page 7. **FN**

Cooperating for Care

Small and medium-sized businesses in Lubbock have found a solution to skyrocketing health care costs. In May 2006, the Lubbock Chamber of Commerce launched its Chamber Employer Health Plan. The four-way partnership between the chamber and FirstCare Health Plans, University Medical Center Health System and Covenant Health System lets mom-and-pop businesses enjoy the health care benefits of a large employer.

By May 2007, the plan represented some 7,700 individuals. About 25 percent hadn't had major medical coverage, said Norma Ritz Johnson, vice president for legislative affairs for the Lubbock chamber.

The savings were immediate for Phil Price, president of The Price Group in Lubbock, who switched his 22-employee advertising company to the plan in June 2006.

"Our employees got a de facto raise of about \$100 a month, and our small company expects to save \$12,000 a year," Price said.

Price said he had used various insurance plans over the years but battled rising rates.

"We would sign up with an insurance company one year, and the rates would go up the next year," Price said. "The next year we would switch to another insurance company for a lower rate, and their rates would go up the next year. We were in a rat race."

The plan is available to employers in Lubbock and eight surrounding counties, and participants must be chamber members. Enrollees are guaranteed their rates will not increase more than 10 percent on July 1, 2007. The chamber is working to continue that guarantee for subsequent years, Johnson said. For example, savings have ranged from \$12,000 annually for companies with fewer than 15 employees to \$100,000 annually for a company with 70 employees, Johnson said.

The plan stemmed from law passed by the 2003 Texas Legislature that allows businesses to form health care cooperatives and coalitions. The Texas Chamber of Commerce named the plan its Chamber Development Program of the Year in 2006.

"We get calls from at least one chamber of commerce each week that's interested in doing a similar program," Johnson said. **FN**

"Our employees got a de facto raise of about \$100 a month, and our small company expects to save \$12,000 a year."
Phil Price, president of The Price Group

Prepare for Take Off



Airport Redevelopment Serves as State Model

For 70 years, planes flew in and out of Austin's Robert Mueller Municipal Airport. Now, the former airport's most notable arrivals will be 10,000 new residents landing over the next 15 years.

What was once 711 acres of runways, terminals and hangers will transform into offices, stores, apartments, houses, parks, a lake and the Dell Children's Medical Center of Central Texas. The first buildings opened in spring 2007.

"This project will create between \$1 billion and \$1.3 billion in taxable value [and] 10,000 permanent jobs, as well as 10,500 to 11,000

construction jobs during the build-out," said Matt Whelan, senior vice president for Catellus Development Group.

Mueller's large, undeveloped parcels, located in the heart of one of America's fastest-growing cities and real estate markets, make the site a perfect location for mixed development, said Brian Dolezal, a spokesman for TateAustin, a public relations firm working on the Mueller project.

The redevelopment will have 3.8 million square feet of office space, 650,000 square feet of retail space, 140 acres of parkland and 475,000 square feet of medical facilities, Dolezal said.

Robert Mueller Airport, named after a former city commissioner, opened in 1930 but

closed in 1999 to make way for the larger Austin Bergstrom International Airport (ABIA). The Mueller site was open farmland in the 1920s but was too close to a growing downtown by the 1990s for the airport to stay.

The city also capitalized on the military's closure of Bergstrom Air Force Base in 1991. That freed up more than 3,200 acres of landing strips, buildings and open land, all eight miles from downtown Austin.

After opening ABIA in 1999, the city of Austin and the Austin Film Society converted former hangars and terminals at Mueller into studio production stages and production offices, known as Austin Studios.

Since 2000, movies such as "Miss Congeniality," "Man of the House," "Secondhand



Lions" and "Friday Night Lights," along with various TV shows, music videos and commercials, were filmed in part at the former airport.

Floor Plans Galore

The residents of the development's 4,600 residential units will live and work alongside some of Hollywood's most famous names, Dolezal said.

"There will be a variety of residential product types, including traditional yard houses with the majority having access from the alleys, meaning the garages are at the back of the house," Dolezal said. "There will be row houses, like the brownstones in New York and Chicago, and houses which look like large mansions, but will be divided into four to six individual houses for families."

The Mueller houses will range from 1,400 square feet to 2,300 square feet and will sell for between \$200,000 and \$600,000, Dolezal said. Twenty-five percent of all housing built, however, will be priced \$120,000 to \$160,000 and will be reserved for people who earn up to 60 percent of Austin's median income. In 2006, that figure was \$69,600 for a family of four, according to the city of Austin.

"One group targeted is seniors and affordable [housing], and one being families with a wide range of needs, such as single mothers or families that have extraordinary medical bills or with other issues they have that cre-

ates a strain on them financially where they just need a little assistance," Whelan said.

The 25 percent of houses that will be designated as affordable housing will be mixed in with other types of residential units, Whelan said.

"They won't be sequestered," he said. "They'll be integrated and dispersed throughout the community, so you wouldn't be able to tell just driving down the street. That way there isn't just one area that has all [the affordable houses]."

In December 2006, Catellus and the city of Austin announced the homebuilders chosen for the first phase of the residential build-out, but construction won't begin until mid 2007, Dolezal said.

However, Catellus and Texas-based Simmons Vedder and Co. will begin constructing a 422,000-square-foot apartment complex in early 2007, Dolezal said.

The apartments will range from \$925 to \$2,100 a month, Dolezal said.

Leading the Charge

The first building to open under the redevelopment plan will be the Dell Children's Medical Center in June 2007, which will replace the Children's Hospital of Austin (CHOA) at Brackenridge Hospital. CHOA has served 46 counties in Central Texas since 1988, but it is now too small, said Michele Gonzalez, a spokeswoman for Dell Children's Foundation.

"We've had people register through our Web site indicating an interest in living at Mueller, and that's before we've done any significant marketing of actual homes."

Brian Dolezal, spokesman for TateAustin

"For some time now, the hospital—the only dedicated pediatric facility in the region—has experienced overcrowding given increased demand and need in our community," Gonzalez said. "In addition, expansion at the current site is simply not an option, as the facility is land-locked."

Funded by the Seton Family of Hospitals and private donations, the new Children's Center will increase the number of beds available from 149 to 170, and it will include family lounges, an inpatient rehabilitation gym and a 2.5 acre garden, Gonzalez said.

The medical center will be the first of several buildings to make up a pediatric medical complex that will later include a pediatric trauma center and a second Austin Ronald McDonald House, which will house families while their children undergo medical treatment, Gonzalez said.

Doctoring Options

The redevelopment project is already attracting a lot of attention, Dolezal said.

"We've had people register through our Web site indicating an interest in living at Mueller, and that's before we've done any significant marketing of actual homes," Dolezal added.

But it's not just the housing that's enticing people to the Mueller redevelopment. The new medical center's alliance with the University of Texas (UT) System also is attracting attention.

When fourth-year medical student Meisa Owen was applying to residency programs, she was not seriously considering Austin hospitals. But after hearing that the Dell Children's Medical Center and UT were teaming up, Owen scheduled an interview. **FN**

"One group targeted is seniors and affordable [housing], and one being families with a wide range of needs, such as single mothers or families that have extraordinary medical bills or with other issues they have that creates a strain on them financially where they just need a little assistance." **Matt Whelan, senior vice president for Catellus Development Group**



Can Fitness Make the Grade?

Legislation Will Bolster Physical Education

Everyone knows the story—Texans are dangerously hefty and are growing more so all the time. School children are no exception—study after study shows they are putting on weight at an unprecedented rate.

More than a third of Texas students are overweight, putting them at risk for numerous chronic diseases, including heart disease, State Sen. Jane Nelson of Lewisville told a packed hearing of the Texas Senate Committee on Education on March 15.

“Most shocking of all is that our youth are at risk of being the first generation of Texans to live shorter lives than their parents,” she said.

Fight the Fat

Texas schools offer little in the way of physical activity: students in kindergarten to sixth grade must get either 30 minutes of physical activity per day or a total of 135 minutes per week. High school students must complete 1.5 semester hours of physical education to graduate. Even those requirements aren't enforced, however, said Dr. Kenneth Cooper, founder of the Cooper Institute in Dallas, a proponent of health programs for children and adults.

“When that law was passed, it was watered down and had no teeth in it, and it rotated PE with art and music,” Cooper said. “There was no follow up, no nothing.”

Dr. Cooper (who is also physician to fitness conscious Gov. Rick Perry and President George W. Bush), Texas Comptroller Susan Combs and Texas legislators are on a mission to move more kids onto basketball courts and baseball diamonds. Sen. Jane Nelson proposed a law, Senate Bill (SB) 530, that would require

middle school and junior high students to participate in at least 30 minutes of moderate or vigorous daily physical activity per day. As amended and sent to the governor, the bill would require 30 minutes of physical activity for at least four semesters as part of the district's physical education curriculum.

“The goal of SB 530 is to re-establish in our schools a basic commitment to health and fitness,” Nelson said. “Statistics show our current efforts are, regrettably, failing.”

Middle schools may also soon have additional incentives to support school fitness efforts. Included in the state's budget bill, House Bill 1 is a rider appropriating \$20 million for the biennium for a Middle School Physical Education and Fitness Grant Program with a goal of reducing childhood obesity and type II diabetes in districts with proportionately high numbers of economically disadvantaged students. The Comptroller and the Commissioner of Education would develop criteria for awarding the grants.

The rider requires the Comptroller to certify the \$20 million is in excess of the Biennial Revenue Estimate. It also is pending the approval of the governor.

A Tougher Test

SB 530 goes beyond requiring the return of baggy gym shorts to middle schools.

It also requires school districts to annually assess the physical fitness of students enrolled in grades 3 through 12. The assessment must be based on the aerobic capacity, body composition and muscular strength, endurance and flexibility of each student.

Districts will provide results by grade level to the Texas Education Agency (TEA). TEA won't release students' or teachers' identities in the results. The agency will determine if there is a correlation between the additional exercise and academic achievement, attendance, obesity, disciplinary problems and school meal programs.

Cooper has data from trials in California and Kansas City and an unreleased report on the Austin Independent School District that shows physical fitness not only improves student health, but also academic performance.

It's true for adults as well, Cooper said. In one trial, adults who walked for one hour, three times per week reduced their mental age (a measure of intellectual development) by three years and increased the size of their brains.

“We have undeniable data to show this high fitness performance related to high academic achievement isn't accidental,” he said.

Need more physical activity? Find out here: www.cdc.gov/nccdphp/dnpa/bmi/index.htm. **FN**

In the Zone Fitness improvement can be fast and furious, according to Dr. Kenneth Cooper of the Cooper Institute of Dallas. In a one-year test of fourth graders in Kansas City, Mo., from Fall 2005 to Spring 2006, results were impressive.

Exercise	Percentage improvement	Exercise	Percentage improvement
Modified sit & reach	60	Flexibility	182
Push-up	88	Strength	433
Paced curl-up	127	Pacer test (cardiovascular fitness)	207

Source: The Cooper Institute.

A Steep Price for the Uninsured

Texas' Uninsured Residents Outpace the National Average

Texas is a national leader in many categories, from oil and natural gas to alternative energy and agriculture. But it also leads the nation in the number of residents without health insurance.

More than 5.6 million Texans, a quarter of the population, live without health insurance, according to an April 2006 report by the Task Force to Access Health Care in Texas.

These statistics are mirrored by 2005 numbers from the Texas Comptroller of Public Accounts that found nearly 50 percent of the state's uninsured—more than 2.6 million

Texans—live in Houston, Dallas and Fort Worth-Arlington.

Three Texas metropolitan statistical areas along the border—Laredo, El Paso and Brownsville-Harlingen-San Benito—had the highest rates of uninsured in the state, according to the Comptroller's report. Laredo led the state with 36 percent.

With a family of four paying an average of \$9,100 in health care costs, it's not hard to see why many go without.

Code Red

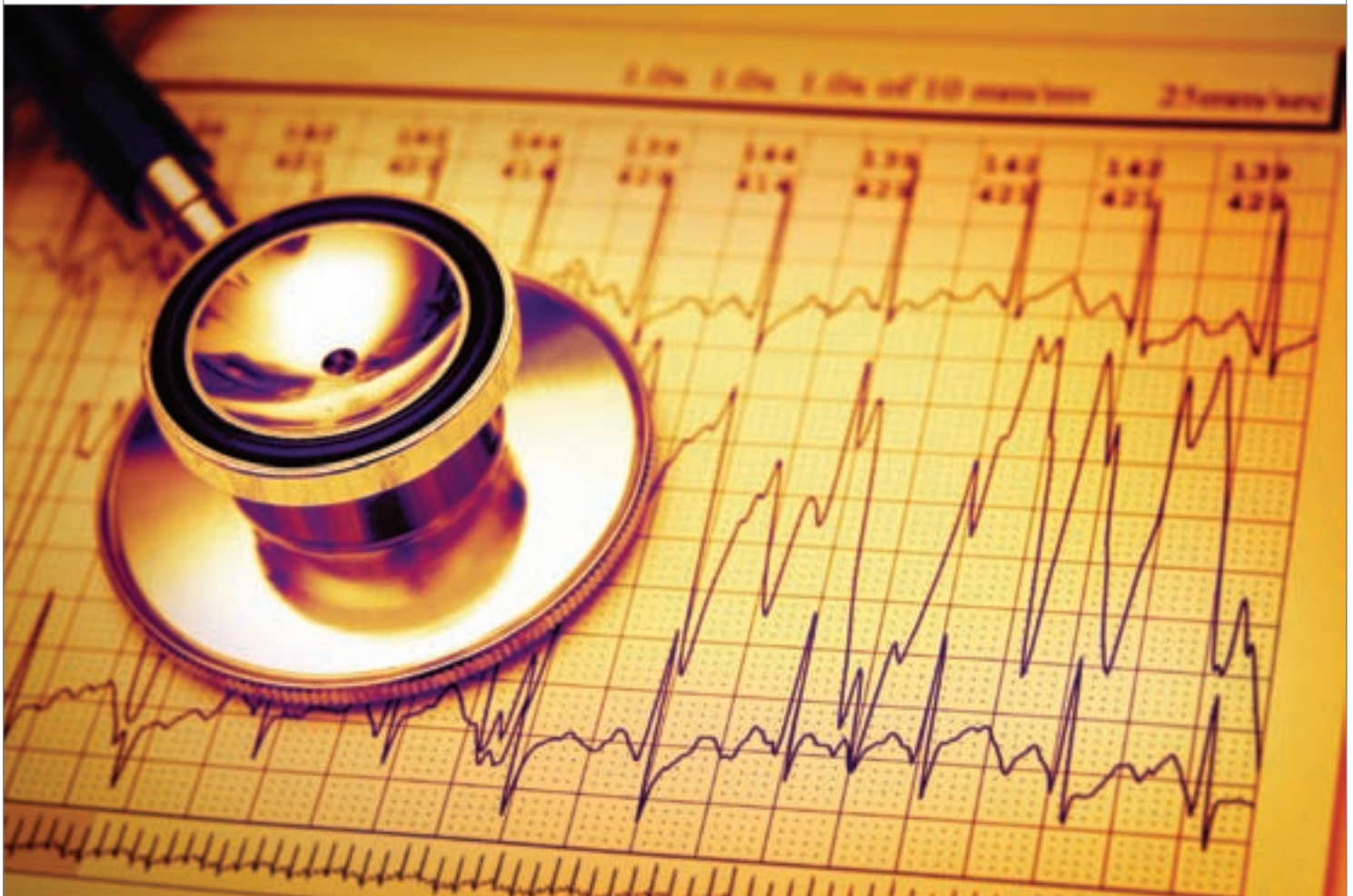
The 19-member task force was sponsored by medical facilities at Baylor University, the University of North Texas, Texas A&M

University, Texas Tech University and all six health institutions of the University of Texas system. The resulting report, *Code Red: The Critical Condition of Health in Texas*, concluded that the cost of care for the uninsured in Texas was \$7.7 billion in uncompensated care in 2003, placing immense pressure on local emergency rooms and hospitals.

That pressure is increasing, according to the report. Hospitals must find a way to pay for uncompensated care or go bankrupt.

More than 2.5 million Texans were enrolled in Medicaid, and about 460,000 were participating in the State Children's Health Insurance Program in 2003, according to the report.

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Many of Texas' uninsured are employed, and many of them work for small businesses with fewer than 50 employees. Small businesses make up 73 percent of the businesses in Texas, but only 37 percent offer a health insurance plan to their employees, according to *Code Red*. Worse, only 35 percent of employees actually enroll. Plans offered by small businesses usually are expensive, according to the report.

The U.S. average insurance premium for each employee in a business with fewer than 10 employees was almost \$3,998 in 2004—the latest year for which data is available—and \$3,687 for companies with 50 or more employees, a difference of \$311 per year per employee, according to survey data from the U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends. In Texas, the average insurance premium for each employee in a business with fewer than 10 employees was \$4,597 in 2004, but only \$3,607 for companies with 50

“Every year that I have owned my own business the premiums that I pay have increased.” **Chris Johnson, small business owner**

or more employees, a difference of \$990 per year per employee.

The Texas Department of Insurance provides information on available health coverage for individuals and businesses, according to Jennifer Ahrens, associate commissioner for life, health and licensing with TDI.

“Some of these things, like giving information to consumers, we do that already,” she said. “But we’re limited in our resources.”

There are also insurance agents who specialize in working on insurance plans with small businesses. But, in many cases, business owners don’t know where to find them.

“We hear a lot from small businesses that there’s no way to know who those agents are and where they are,” Ahrens said. “Agents are the ones who can help them find something that works for them. We just [need] to bring them together.”

More information is available on TDI’s Web site at www.TexasHealthOptions.com.

Providing insurance costs T-Com about \$14,000 per employee, Johnson said. He covers employees and their dependents. Employees are only responsible for paying deductibles.



The Big Picture

Texas is not the only state with a health insurance crisis. Over the last 20 years, the number of uninsured, nonelderly Americans has increased steadily.

Year	Percentage of U.S. Population Uninsured
1997	17.0
1998	16.8
1999	16.3
2000	16.6
2001	17.1
2002	18.1
2003	18.7
2004	19.1

Source: Robert Wood Johnson Foundation.

Small Business, Big Offerings

Chris Johnson knows first-hand how expensive it can be to provide employee health insurance.

“Every year that I have owned my own business the premiums that I pay have increased,” Johnson said. “My premiums have gone up each year by a minimum of 9 percent.”

Johnson has been in the telecommunications consulting business for nine years and has owned Lubbock-based T-Com for four. As a small business owner with 10 employees, Johnson could choose not to offer a health insurance plan to his employees. But he wouldn’t dream of it.

There is an upside and a downside to offering insurance, he said.

“The bad side would have to be the cost,” Johnson said. “The good is that my employees don’t have to worry about paying high prices for insurance on their own. I pay the premiums for the entire family for a couple of reasons: The first is I believe that it helps me to retain the employees that I have now and, second, it gives me an advantage against other, larger firms that only pay for the employee.”

New Options for Texas

Texas may receive some relief from Senate Bill 10 (SB 10), which was passed by the state's 80th Legislature and sent to the governor. In addition to improvements to the Texas Medicaid program, the bill also addresses the health care costs of the state's uninsured population.



Specifically, SB 10 directs the Texas Health and Human Services Commission to seek a waiver within the Medicaid program to implement the Texas Health Opportunity Pool (THOP). The THOP would defray costs associated with providing uncompensated health care by using federal, appropriated state and other available funds. Part of the pool would be used to provide premium payment assistance to eligible Texans and to make contributions to their health savings accounts.

THOP funds also would be directed to help partly offset the uncompensated health care costs incurred by hospitals, to enhance the community public health infrastructure and to increase the efficiency of health care systems.

Out-of-State Success

Massachusetts' Commonwealth Care program went into effect in October 2006. The program took about three years to set up and was first available to uninsured workers with an income of less than 100 percent of the federal poverty level, which is about \$20,000 annually for a family of four, according to the U.S. Census Bureau.

A second phase of the program started on January 1, 2007, and a third has yet to begin. The number of uninsured residents is already coming down, according to Dick Powers, director of public affairs for the Connector Authority, which oversees the program.

"Overall, the number of uninsured has decreased by about 25 percent," Powers said. "We believe people with health insurance will have better health. They'll see their primary care physicians and have fewer visits to more expensive, less cost-effective emergency rooms." **FN**

Young and Uninsured

Americans aged 25-34 have the highest rate of uninsured, nonelderly adults.

Age Range	Percentage
25-34	27.3
35-44	21.8
45-54	16.8
21-24	15.5
55-64	10.6
18-20	8.1

Source: Robert Wood Johnson Foundation.



Quick Facts

Texas has more residents without health insurance than any other state. The uninsured come from all walks of life, employment circumstances and ethnic groups. The unifying factor, unfortunately, is that their costs continue to increase.

- Annual U.S. health expenditures per person have increased from \$143 in 1960 to \$6,040 in 2004.
- 79 percent of uninsured Texas adults either work or are in a family with a working adult.
- Texas hospitals provided \$7.7 billion in uncompensated care in 2003.
- Only 37 percent of small businesses offer health insurance.
- Only 35 percent of small business employees enroll in employer insurance.
- About 80 percent of the uninsured people living in Texas are U.S. citizens.

Source: Code Red: The Critical Condition of Health in Texas.

CONTINUED FROM PAGE 1

Weighing the Costs

of health care, absenteeism, decreased productivity and disability. And those costs are likely to rise if Texans don't act.

A Spreading Epidemic

Health care experts define excessive weight and obesity primarily by means of the Body Mass Index, or BMI, a ratio calculated by dividing a person's weight in kilograms by his or her height in meters squared. People can be categorized as being underweight, at a normal weight, overweight or obese depending on their BMI.

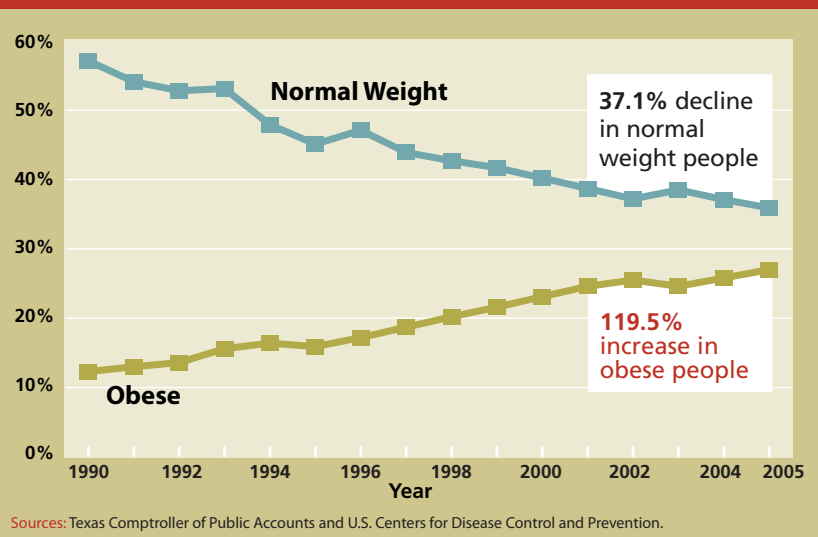
According to data compiled by the U.S. Centers for Disease Control and Prevention (CDC), the share of Texans at a normal weight has plunged in recent years. CDC reports that 12.3 percent of adult Texans were obese in 1990, while 57.1 percent were at a normal weight. By 2005, 27 percent of Texans were obese and only 35.9 percent were at a normal weight.

In 1990, there were 1.5 million obese Texas adults, while in 2005 there were 4.5 million, a nearly 200 percent increase over 15 years.



For details on a healthy BMI, go to www.cdc.gov/nccdphp/dnpa/bmi.

Obesity Prevalence Trends in Texas Adults 1990 to 2005



Sadly, the epidemic begins early. A study of Texas children conducted by the UT Houston School of Public Health estimated that 42 percent of the state's fourth graders were overweight or at-risk of overweight.

And overweight children are likely to remain that way. The U.S. Surgeon General has reported that 70 percent of overweight children will become overweight or obese adults.

Overweight Around the State

The majority of adult Texans, men and women alike, are overweight or obese, according to CDC. This is equally true for all ethnic groups and every category of income and educational attainment.

But some variations can be seen in the pattern. For example, the older you are, the more likely you are to be overweight. In 2005, more than half (53.3 percent) of Texans aged 18 to 29 were overweight or obese, as were 67.3 percent of those aged 30 to 44. Those 45 to 64 were heavier still; 71.3 percent were overweight or obese.

And the more educated you are, the less likely you are to be overweight. In 2005, 67.8 percent of adult Texans with no high school diploma were overweight or obese, versus 59.9 percent of college graduates.

Where you live also plays a role. The Austin-Round Rock metropolitan statistical area (MSA) was the state's "skinniest" in 2005, with "only" 55.1 percent of its adults being overweight or obese; the San Antonio MSA, by contrast, was the least healthy, with 66.4 percent of its adults overweight or obese.

Ethnicity matters, too. In 2005, Anglo Texans were thinnest, and even then 60.1 percent were overweight or obese. Seventy-one percent of Hispanics were overweight or obese, as were 75.7 percent of African-Americans.

Weighing and Paying

The costs of employee obesity and related illnesses are rising sharply. Businesses feel a disproportionate effect in part because most Texas adults with private insurance—nearly nine out of every 10—receive coverage from their employers.

Ultimately, only the individual can be held accountable for his or her lifestyle choices.

According to *Counting Costs and Calories*, the cost of health insurance rose at double-digit rates from 2001 to 2004. Obesity may be one of the largest contributing causes behind these increases; a 2002 study reported in the journal *Health Affairs* found obesity played a greater role in rising health care spending than either smoking or drinking.

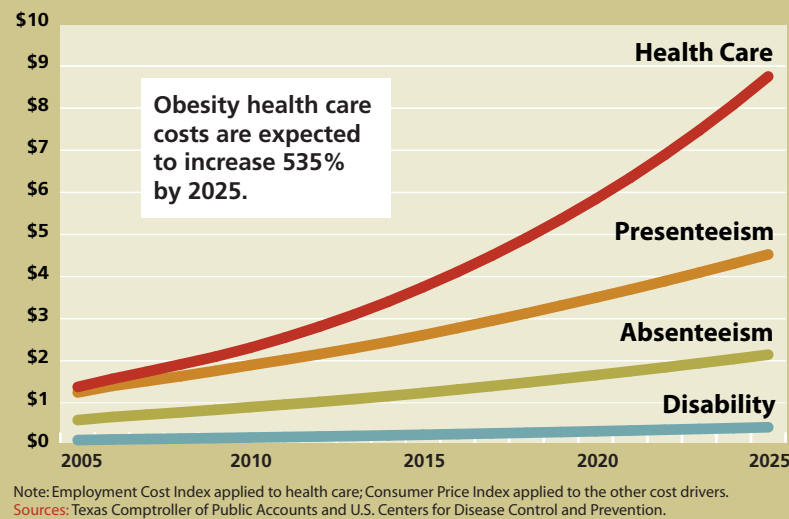
The Comptroller estimates that obesity and related illnesses cost employers \$1.4 billion in health care costs in 2005.

Obese employees also cost their companies through greater absenteeism, short-term disabilities and reduced efficiency at work. The Comptroller estimates these factors cost employers more than \$1.9 billion in 2005.

In all, obesity and related problems cost private employers an estimated \$3.3 billion in 2005.

Projecting these costs and accounting for the current increase in the prevalence of obesity and the projected increase in the working population, obesity could cost Texas businesses \$15.8 billion annually by 2025.

Costs to Private Businesses and Insurers Attributable to Obesity (in billions)



Fight Flab, Save Money

If there's a silver lining to this grim picture, it's that Texas' business leaders and policymakers are taking steps to rein in the epidemic. *Counting Costs and Calories* details a number of initiatives aimed at improving Texans' health and cutting the costs of obesity.

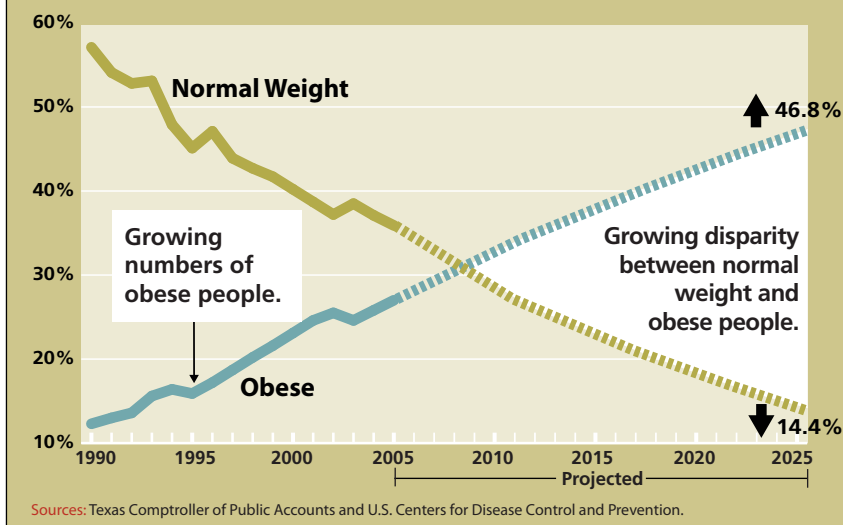
The 2007 Texas Legislature introduced legislation aimed at instituting more physical education in public schools. Many school districts have removed fattening foods with minimal nutritional value from cafeterias and vending machines.

And many Texas companies are shifting their health care focus from disease treatment to prevention in an effort to reduce future insurance costs.

The most successful of these programs offer financial incentives to employees, such as lower insurance deductibles or company-paid gym fees, as well as other initiatives designed to encourage healthy lifestyles. Most such programs take from three to five years to show a return on investment, but the returns can be significant when they materialize.

Ultimately, only the individual can be held accountable for his or her lifestyle choices. But employers can promote wellness and provide workers with incentives and opportunities to make healthy choices in life. **FN**

Projected Adult Obesity Trends in Texas 1990-2025



If there's a silver lining to this grim picture, it's that Texas' business leaders and policymakers are taking steps to rein in the epidemic.

Download and view *Counting Costs and Calories: Measuring the Cost of Obesity to Texas Employers* at www.window.state.tx.us/specialrpt/obesitycost.

Saving Lives on the Sidelines

Lawmakers Mandating Lifesaving Devices

Three Houston-area high school athletes died of heart attacks within a 10-day span in September 2006. A month later, two more Houston athletes died from heart attacks while running track. The rare concentration of deaths that occurred in Houston brought attention to the dangers of sudden cardiac arrest (SCA). SCA kills more than 325,000 Americans each year, according to the American Heart Association.

To prevent these deaths, the University Interscholastic League (UIL), an organization that governs extracurricular activities at public schools in Texas, is mandating portable defibrillators—Automated External Defibrillators (AEDs)—at all member schools. An AED is a computerized medical device that recognizes heart failure and administers an electric shock to get the heart going again.

Texas legislators want to take the UIL mandate one step further and require AEDs at all Texas schools.

To find out what the new policy means, how AEDs are used and what the benefits will be to Texas schools, *Fiscal Notes* writer

Ann Holdsworth spoke with Kim Rogers, a UIL spokesperson, Mark Cousins, a UIL athletic coordinator, Richard Lazar, CEO of consulting firm AED Risk Insights and Laura Friend, of advocacy group Parent Heart Watch.

What does an AED do?

KR: An AED basically shocks a person's heart back into a normal rhythm. People go into cardiac arrhythmia and when the AED shocks their heart, it shocks their heart into a normal rhythm.

Can an AED accidentally shock a healthy heart?

KR: No, the AED device can sense whether it is a shockable rhythm or not.

Can an AED help anyone with a heart problem?

MC: There are a number of things with sudden cardiac arrest that a defibrillator is not going to correct. Certainly we do not want to give a false sense of security that just because an AED is available, every student that has an issue is going to be saved. But certainly the chances of a student surviving or an adult surviving with an AED being available—if the particular rhythm that an AED can correct is present—goes up the faster that device gets there.

What causes SCA?

RL: SCA is caused by two kinds of heart abnormalities. It kills about 350,000 people a year in this country; it's the leading cause

A third, 33.5 percent, of sudden cardiac deaths in athletes occur during football games, according to a study by the Minneapolis Heart Institute Foundation.



of death. That equates to three 747s full of people every day crashing and killing everyone on board.

It kills 7,000 to 9,000 kids every year. It's a problem.

"This is an electrical disturbance that causes these cardiac arrests." **Laura Friend, Parent Heart Watch**

LF: This is an electrical disturbance that causes these cardiac arrests. It's the number one cause of death among student athletes, but it is not an athlete's disease.

Is there something parents or kids can do to check for heart ailments?

KR: We don't know of any particular factors that [the athletes] might have had in common. But, we've had our medical advisory committee review the cases, and all the doctors have said there is no one test that can find every heart ailment out there. All athletes are required to undergo physicals, but there really is no foolproof method to find out everything that is out there.

LF: There's not a government agency or a private agency that tracks all of these





Ninety percent of athletes who die from sudden cardiac arrest collapse during or immediately after a training session or athletic contest, according to a study by the Minneapolis Heart Institute Foundation.

deaths. A heart screening would be preventative medicine, but since we do not have any standardized heart screening for our children, the next thing would be to react to a sudden cardiac arrest with an AED. The only device we have against sudden death is an AED and CPR.

Why aren't AEDs already required?

KR: We've had a medical advisory committee that was formed in 2001 that had been looking at making AEDs mandatory since that time. They've always been advocates of having them, but at the time they were formed, the prices were at \$3,000 to \$4,000. It wasn't good to mandate them when we couldn't fund them and had no information on what schools had them.

"Schools are paying for them themselves, but many companies are donating them to schools." **Kim Rogers, University Interscholastic League spokesperson**

Is it feasible now?

KR: We started researching the number of schools that had them and those that didn't, and why they didn't have them. The data from this past fall was that over half of

our 1,300 schools already had AEDs. So, we felt that this year was the first year we could mandate them.

How will schools pay for them?

KR: Schools are paying for them themselves, but many companies are donating them to schools. Hospitals are also donating them. St. Jude Hospital alone has donated 48 AEDs to our schools. We also got several AED companies to send us prices to show them that if schools bought them in bulk or through a deal, it actually made more sense for us to allow the schools to work with the companies to get better deals.

The median age of athletes who die from sudden cardiac arrest is 17, and 90 percent are male, according to a study by the Minneapolis Heart Institute Foundation.



"It's the number one cause of death among student athletes, but it is not an athlete's disease."
Laura Friend, Parent Heart Watch

Where will schools keep them?

RL: That determination would be made on a campus-by-campus basis based on its size and configuration issues. Because time is so critical with Sudden Cardiac Arrest— that is, the treatment must be delivered in four to five minutes, and that includes recognizing there's a problem, notifying somebody that there's a problem, retrieving an AED and using an AED. Remember, though, that you can move devices around over the course of a day so that during a regular school day, devices might be positioned near classrooms, auditoriums and cafeterias. It's important for schools to build awareness about where they are. Put them in conspicuous places where they're easily accessible. People pass them every day, and you put signs up so there's a constant recognition that these devices are there. **FN**

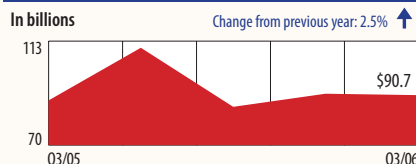


Texas by the Numbers

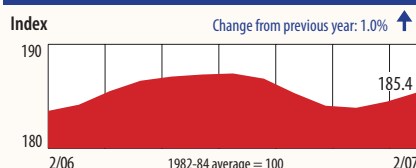
Key Texas Economic Indicators

Texas added jobs in 2006 at its fastest pace since 1998. This job growth rate has moderated and the help-wanted index has eroded in early 2007, but even so, the state's unemployment rate dropped to its best level in six years. The Texas leading indicators index foresees that the state economy will continue to outperform the national economy, as industrial production advances and personal income growth outstrips the level of inflation.

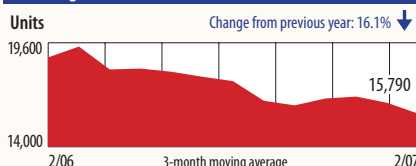
Retail Sales



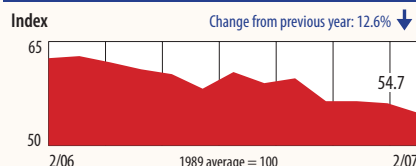
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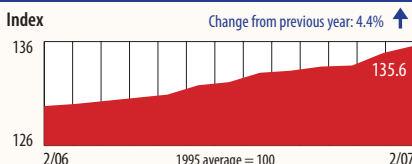
Housing Permits



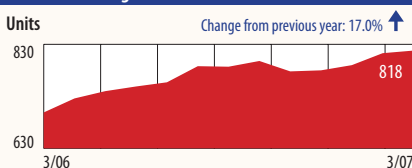
Help Wanted



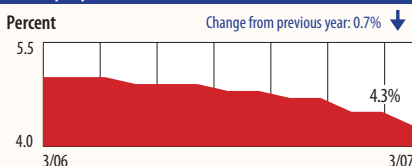
Industrial Production



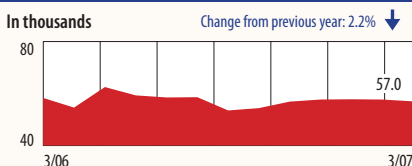
Oil and Gas Rigs



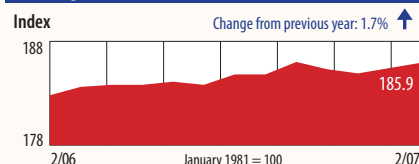
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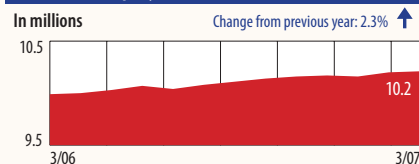
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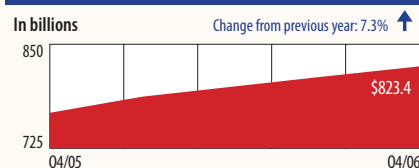
Leading Indicators



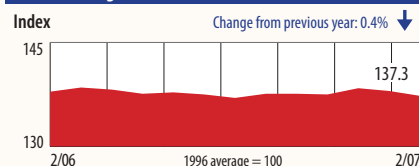
Non-farm Employment



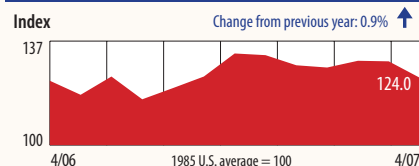
Personal Income



U.S. Leading Indicators



Consumer Confidence (Tx, La, Ok, Ar)



Texas Production and Consumption Indicators

(Amounts in millions)

Date	Crude Oil		Natural Gas		Motor Fuel (in gallons)		Cement	Auto Sales	Cigarette
	Barrels	Value	Thousands of Cubic Ft.	Value	Gasoline	Diesel	Tons	Net Value (Estimated)	Pkgs. Taxed
2002	347.2	\$8,451.9	3,134.8	\$8,706.5	11,353.6	3,107.4	13.6	\$41,585.8	1,270.3
2003	337.2	9,897.5	3,042.2	13,779.9	11,379.2	3,216.7	14.9	39,296.2	1,234.3
2004	329.1	12,811.1	2,973.4	15,158.9	11,326.8	3,305.9	15.2	39,174.6	1,228.9
2005	326.8	17,222.6	3,186.5	21,630.4	11,285.5	3,463.3	16.5	41,955.3	1,239.0
2006	316.7	19,479.8	3,916.4	22,791.6	11,372.8	3,731.6	17.0	45,756.2	1,280.2
Last 13 months	24.9	\$1,433.3	272.6	\$1,720.2	858.9	282.4	1.26	\$3,240.2	111.7
	26.8	1,521.3	309.8	1,807.5	969.4	334.8	1.57	3,779.0	94.1
	25.5	1,647.7	303.3	1,824.0	938.4	309.7	1.41	3,776.9	114.7
	27.2	1,807.2	327.8	1,852.1	1,010.0	300.7	1.50	4,040.8	110.9
	26.4	1,751.6	315.5	1,690.7	943.5	326.3	1.53	4,186.8	102.3
	26.8	1,871.0	335.4	1,847.5	954.8	321.6	1.32	4,020.0	108.2
	26.7	1,835.7	344.5	2,109.7	960.8	322.0	1.57	4,331.1	109.6
	25.8	1,549.6	335.5	1,855.0	959.8	313.4	1.40	4,118.4	107.6
	26.6	1,462.3	355.1	1,462.1	969.3	326.5	1.40	3,989.7	124.6
	25.9	1,408.0	349.2	2,091.4	942.2	299.9	1.43	3,436.7	117.3
	26.5	1,502.7	367.7	2,265.0	963.1	300.9	1.24	3,336.3	75.0
	25.9	1,302.8	355.3	1,840.0	923.2	299.5	1.15	3,669.5	68.5
	20.8	1,154.5	300.1	1,822.5	880.2	304.8	1.32	3,717.8	96.9

Notes: Crude oil and natural gas show taxable production and net taxable value for the production month. Oil and gas data are revised monthly from taxpayer records. Gasoline gallons include gasoline. Auto sales estimates are calculated from motor vehicle taxes that include taxable transactions in addition to the sale of new and used motor vehicles. Previous year totals may not match totals shown online due to updates.

Sources for Data

Retail Sales, Leading Indicators Index, Help-Wanted Index, Industrial Production Index: Texas Comptroller of Public Accounts

Non-farm Employment, Unemployment Initial Claims: Texas Workforce Commission

Texas Consumer Price Index: Texas Comptroller of Public Accounts and U.S. Bureau of Labor Statistics

Unemployment Rate: U.S. Bureau of Labor Statistics

Oil/Gas Rig Count: Baker-Hughes Inc.

Consumer Confidence Index: The Conference Board

U.S. Leading Indicators Index, Personal Income: U.S. Bureau of Economic Analysis

Texas Housing Permits: U.S. Bureau of the Census

Notes: All figures are seasonally adjusted, except for the rig count, retail sales and consumer confidence. All figures are monthly except for retail sales and personal income, which are quarterly.

Figures are based on most recent available data.

April Cash Condition¹

(Amounts in millions)	General Revenue	Other Funds	Total Cash
Beginning Balance Apr. 1, 2007	\$10,514.1	\$9,630.1	\$20,144.2
Revenue/Expenditures			
Revenue	6,285.3	2,282.5	8,567.8
Expenditures	5,190.0	1,797.0	6,987.0
Net Income (outgo)	\$1,095.3	\$485.5	\$1,580.8
Net Interfund Transfers and			
Investment Transactions	\$-445.8	\$654.7	\$208.9
Total Transactions	649.5	1,140.2	1,789.7
End Cash Balance Apr. 30, 2007²	\$11,163.6	\$10,770.3	\$21,933.9

¹ Cash stated is from the Comptroller's Uniform Statewide Accounting System (USAS) and will vary from the amounts reflected in the cash accounts of the Treasury Operations Division of the Comptroller's office due to timing differences. Net amounts shown (less refunds) exclude funds that are authorized to be held outside the State Treasury and are not processed through USAS. Suspense and Trust Funds are included, as are unemployment compensation trust funds collected by the state but held in the Federal Treasury. Totals may not add due to rounding.

² The ending General Revenue Fund Balance includes \$4.0 billion derived from the sale of cash management notes.

State Revenue/All Funds¹

(Amounts in millions)	Monthly Revenue	Fiscal Year-to-Date	
	April 2007	Revenue	% Change YTD/YTD
Tax Collections by Major Tax			
Sales Tax	\$1,743.8	\$13,270.1	11.0%
Oil Production Tax	68.6	537.2	-2.0
Natural Gas Production Tax	145.5	1,216.3	-28.4
Motor Fuels Taxes (Gasoline, Diesel, LPG)	267.6	2,021.5	2.5
Motor Vehicle Sales/Rental and			
Manufactured Housing Taxes	288.6	2,121.4	10.3
Franchise Tax	180.0	568.5	28.9
Cigarette and Tobacco Taxes	158.0	712.4	109.5
Alcoholic Beverages Taxes	67.3	477.8	7.4
Insurance Taxes	-13.2	816.0	11.9
Utility Taxes ²	109.9	348.1	35.7
Inheritance Tax	0.2	3.9	-57.7
Hotel and Motel Tax	34.1	215.6	12.0
Other Taxes ³	819.3	1,268.5	67.9
Total Tax Collections	\$3,869.8	\$23,577.4	10.9%
Revenue by Receipt Type			
Tax Collections (see above)	\$3,869.8	\$23,577.4	10.9%
Federal Income	2,318.7	15,763.2	-2.2
Interest and Investment Income	297.3	1,804.6	17.1
Licenses, Fees, Permits, Fines and Penalties	827.1	4,314.6	11.3
Employee Benefit Contributions	392.6	2,884.3	4.7
Sales of Goods and Services	13.1	251.6	-22.4
Land Income	97.0	583.4	-3.2
Net Lottery Proceeds ⁴	126.4	1,043.8	-2.6
Other Revenue Sources	625.8	4,441.3	5.2
Total Net Revenue	\$8,567.8	\$54,664.3	5.6%

¹ Excludes revenues for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

² Includes the utility, gas utility administration and public utility gross receipts taxes.

³ Includes the cement and sulphur taxes and other occupation and gross receipt taxes not separately identified.

⁴ Gross sales less retailer commissions and the smaller prizes paid by retailers.

State Expenditures/All Funds¹

(Amounts in millions)	Monthly Expenditures	Fiscal Year-to-Date	
	April 2007	Expenditures	% Change YTD/YTD
By Object			
Salaries and Wages	\$798.0	\$6,376.0	5.4%
Employee Benefits/			
Teacher Retirement Contribution	677.4	5,234.1	8.4
Supplies and Materials	61.8	506.2	-0.9
Other Expenditures	213.0	1,660.7	9.5
Public Assistance Payments	3,035.1	19,508.3	7.8
Intergovernmental Payments:			
Foundation School Program Grants	685.9	10,694.2	61.1
Other Public Education Grants	376.3	2,933.6	-43.5
Grants to Higher Education	91.3	644.2	-4.7
Other Grants	277.5	1,397.5	-16.2
Travel	12.1	87.2	13.5
Professional Services and Fees	101.3	1,233.6	0.3
Payment of Interest/Debt Service	9.4	513.3	43.1
Highway Construction and Maintenance	447.6	3,827.4	8.2
Capital Outlay	24.6	221.4	-20.4
Repairs and Maintenance	42.5	366.8	-1.1
Communications and Utilities	53.0	413.4	-0.1
Rentals and Leases	20.2	166.2	-1.2
Claims and Judgments	7.4	54.3	-23.7
Cost of Goods Sold	49.5	475.6	1.4
Printing and Reproduction	3.2	28.9	8.3
Total Net Expenditures	\$6,987.0	\$56,342.8	8.0%

By Function

General Government			
Executive	\$528.5	\$3,462.2	5.6%
Legislative	11.6	85.4	8.9
Judicial	17.8	152.7	15.8
Subtotal	557.8	3,700.4	6.0
Health and Human Services	2,919.0	18,852.9	7.7
Public Safety and Corrections	267.7	2,555.3	-10.6
Transportation	634.0	5,318.4	5.3
Natural Resources/Recreational Services	142.1	1,188.6	9.2
Education	1,766.3	19,025.8	12.6
Regulatory Agencies	19.2	160.9	-1.7
Employee Benefits	576.0	4,487.7	6.8
Debt Service—Interest	9.4	513.3	43.1
Capital Outlay	24.6	221.4	-20.4
Lottery Winnings Paid ²	70.8	318.2	11.6
Total Net Expenditures	\$6,987.0	\$56,342.8	8.0%

¹ Excludes expenditures for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

² Does not include payments made by retailers. Previously shown as "Other expenditures."

Some revenue and expenditure items have been reclassified, changing year-to-date totals. The ending cash balance is not affected because changes reflected in "total net revenues" and "total net expenditures" offset changes in "net interfund transfers and investments transactions" in the cash condition table.

Revenues and expenditures are reported for the most recent month available and as a running total for the current fiscal year-to-date. In addition, year-to-date figures are compared with the same period in the last fiscal year. These comparisons are reported as percentage changes, which may be positive or negative (shown by a minus sign).

Trust fund transactions are included within revenues and expenditures in the "all funds" presentations. Trust funds are not available to the state for general spending.

Texas Stats Production: Tyra Peterson, Public Outreach and Strategies Division.
Economic Data: Winfred Kang and Gary Preuss, Revenue Estimating Division.
State Financial Tables: Ann Zigmund, Fund Accounting Division.



Heavy Costs

FISCAL NOTES is one of the ways the Comptroller's office strives to assist taxpayers and the people of Texas. The newsletter is part of the Comptroller's constitutional responsibilities to monitor the state's economy and to estimate state government revenues.

FISCAL NOTES also provides a monthly summary of the financial statements for the State of Texas.

Articles and analysis appearing in **FISCAL NOTES** do not necessarily represent the policy or endorsement of the Texas Comptroller of Public Accounts. Space is devoted to a wide variety of topics of Texas interest and general government concern.

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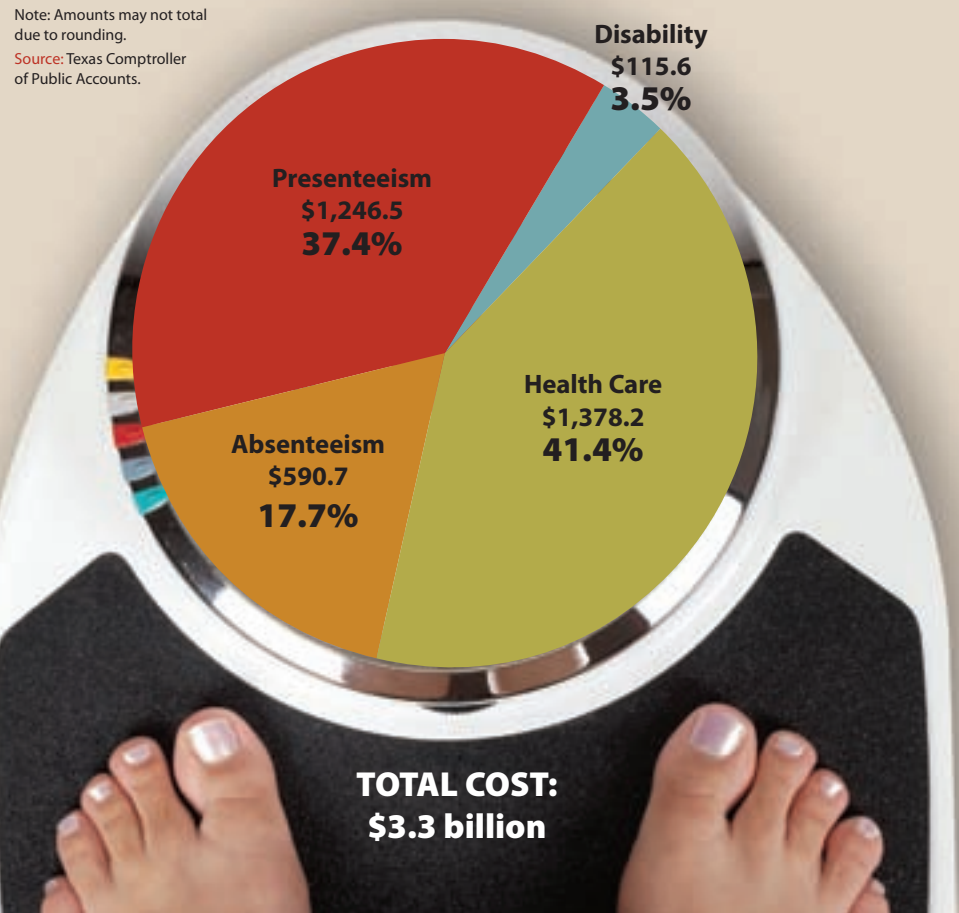
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The Comptroller's office estimates that obese employees cost Texas businesses \$3.3 billion in 2005, due to increased health care costs, employee disabilities, absenteeism and reduced productivity at work.

Distribution of Estimated Costs Attributed to Adult Obesity in Texas 2005 (in millions)



FISCAL NOTES

A Monthly Review of the Texas Economy from the Office of Susan Combs, Texas Comptroller of Public Accounts

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